

§ 205.6 What is a Treasury-State agreement?

(a) A Treasury-State agreement documents the accepted funding techniques and methods for calculating interest agreed upon by us and a State and identifies the Federal assistance programs governed by this subpart A. If anything in a Treasury-State agreement is inconsistent with this subpart A, that part of the Treasury-State agreement will not have any effect and this subpart A will govern.

(b) A Treasury-State agreement will be effective until terminated unless we and a State agree to a specific termination date. We or a State may terminate a Treasury-State agreement on 30 days written notice.

§ 205.7 Can a Treasury-State agreement be amended?

(a) We or a State may amend a Treasury-State agreement at any time if both we and the State agree in writing.

(b) The effective date of an amendment shall be the date both parties agree to the amendment in writing unless otherwise agreed to by both parties.

(c) We and a State must amend a Treasury-State agreement as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. A State must notify us in writing within 30 days of the time the State becomes aware of a change, describing the Federal assistance program change. The notification must include a proposed amendment for our review and a current list of all programs included in the Treasury-State agreement. Amendments may address, but are not limited to:

(1) Additions or deletions of Federal assistance programs subject to this subpart A;

(2) Changes in funding techniques; and

(3) Changes in clearance patterns.

(d) Additions or deletions to the list of Federal assistance programs subject to this subpart A take effect when a Treasury-State agreement is amended, unless otherwise agreed to by the parties.

(e) Federal assistance programs that are to be added to a Treasury-State

agreement are not subject to this subpart A until the Treasury-State agreement is amended, except when a Federal assistance program subject to this subpart A is being replaced by a Federal assistance program governed by subpart B of this part, in which case the replacement program is immediately subject to this subpart A.

(f) Notwithstanding any other provision of this section, if no changes to the Treasury-State agreement are required, States must notify us annually.

§ 205.8 What if there is no Treasury-State agreement in effect?

When a State does not have a Treasury-State agreement in effect, we will prescribe default procedures to implement this subpart A. The default procedures will prescribe efficient funds transfer procedures consistent with State and Federal law and identify the covered Federal assistance programs and designated funding techniques. When we and a State reach agreement on some but not all Federal assistance programs administered by the State, we and the State may enter into a Treasury-State agreement for all programs on which we are in agreement and we may prescribe default procedures governing those programs on which we are unable to reach agreement.

§ 205.9 What is included in a Treasury-State agreement?

We will prescribe a uniform format for all Treasury-State agreements. A Treasury-State agreement must include, but is not limited to, the following:

(a) State agencies, instrumentalities, and fiscal agents that administer the Federal assistance programs subject to this subpart A.

(b) Federal assistance programs subject to this subpart A, consistent with §§ 205.3 and 205.4. A State must use its most recent Single Audit report as a basis for determining the funding thresholds for major Federal assistance programs, unless otherwise specified in the Treasury-State agreement. A State may use budget or appropriations data for a more recent period instead of Single Audit data, if specified in the Treasury-State agreement.

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(c) Funding techniques to be applied to Federal assistance programs subject to this subpart A.

(d) Methods the State will use to develop and maintain clearance patterns and estimates, consistent with § 205.11. The method must include, at a minimum, a clear indication of:

- (1) The data used;
- (2) The sources of the data;
- (3) The development process;

(4) For estimates, when and how the State will update the estimate to reflect the most recent data available;

(5) For estimates, when and how the State will make adjustments, if any, to reconcile the difference between the estimate and the State's actual cash needs; and

(6) Any assumptions, standards, or conventions used in converting the data into the clearance pattern or estimate.

(e) Federal Program Agency provisions requiring reconciliation of estimates to actual outlays may be included in a Treasury-State agreement. The supporting documentation must be retained by the State for three years.

(f) States must include the results of the clearance pattern process in the Treasury-State agreement for programs where the timing of drawdowns is based on clearance patterns. For programs where the timing of drawdowns is not based on clearance patterns, the results of the clearance pattern process may be provided with the annual report required under § 205.26. The supporting documentation must be retained by the State for three years.

(g) Methods used by the State and Federal agencies to calculate interest liabilities pursuant to this subpart A. The method must include, but is not limited to, a clear indication of:

- (1) The data used;
- (2) The sources of the data;
- (3) The calculation process; and

(4) Any assumptions, standards, or conventions used in converting the data into the interest liability amounts.

(h) Treasury-State agreements must include language describing how a State and Federal Program Agency will address a State request for supplemental funding. This language must in-

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clude, but is not limited to, the following provisions:

(1) What constitutes a timely request for supplemental funds for Federal assistance program purposes by a State; and

(2) What constitutes a timely transfer of supplemental funds for Federal assistance program purposes from a Federal Program Agency to a State.

§ 205.10 How do you document funding techniques?

The Treasury-State agreement must include a concise description for each funding technique that a State will use. The description must include the following:

(a) What constitutes a timely request for funds;

(b) How the State determines the amount of funds to request;

(c) What procedures are used to project or reconcile estimates with actual and immediate cash needs;

(d) What constitutes the timely receipt of funds; and

(e) Whether a State or Federal interest liability accrues when the funding technique, including any associated procedure for projection or reconciliation, is properly applied.

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

(c) A State must not draw down funds from its account in the Unemployment Trust Fund (UTF) or from a Federal account in the UTF in advance of actual immediate cash needs for any purpose including maintaining a compensating balance.

(d) A Federal Program Agency must allow a State to submit requests for funds daily. This requirement should